



Report of the Chief Finance Officer
Report to Corporate Governance and Audit Committee
Date: 26th July 2019
Subject: Approval of the Audited Statement of Accounts and Grant Thornton Audit Report

Are specific electoral wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If yes, name(s) of ward(s):		
Has consultation been carried out?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, access to information procedure rule number:		
Appendix number:		

Summary

Main issues

- Grant Thornton have completed their audit of the final accounts, and the report of their findings is attached. The main points are that :
 - Grant Thornton anticipate being able to issue an unqualified opinion on the 2018/19 Statement of Accounts;
 - There are no unadjusted audit differences affecting the financial statements;
 - The review of the Annual Governance Statement has concluded that it is not misleading or inconsistent with information they are aware of from their audit of the financial statements, and that it complies with CIPFA/SOLACE guidance;
 - The review of value for money arrangements has concluded that the Council has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.
- The accounts have been certified by the Chief Finance Officer as a true and fair view of the Council's financial position as at 31st March 2019. A copy of the final version of the accounts for approval is included with this report.

3. During the 2018/19 public inspection period, no objections were received from local electors.

Best Council Plan Implications and Resource Implications

4. There are no implications for the Best Council Plan and no resource implications arising from this report.

Recommendations

5. Members are asked to receive the report of the Council's external auditors on the 2018/19 accounts and to note that there are no unadjusted audit differences to the accounts.
6. Members are asked to approve the final audited 2018/19 Statement of Accounts and the Chair is asked to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts.
7. On the basis of the assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
8. Members are asked to note Grant Thornton's VFM conclusion that the council has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

1. Purpose of this report

- 1.1 At its previous meeting in June, the Committee considered the unaudited 2018/19 Statement of Accounts prior to their being made available for public inspection. Under this Committee's terms of reference, members are now required to approve the Council's final audited Statement of Accounts and to consider any material amendments identified by the Council or recommended by the auditors.

2. Background information

- 2.1 In accordance with the Accounts and Audit Regulations 2015, the Council's Responsible Financial Officer, the Chief Finance Officer, has certified that the Statement of Accounts presents a true and fair view of the financial position of the Council. On completion of the Audit, the regulations also require that the accounts are approved by resolution of a Committee and published, together with the auditor's opinion and report.

3. Main issues

3.1 Key External Audit Findings

3.1.1 Audit Opinion

Grant Thornton have indicated that subject to completing work in a number of areas, they are satisfied the 2018/19 accounts give a true and fair view of the Council's financial position, and that they anticipate being able to issue an unqualified audit opinion by 31st July.

3.1.2 Audit Differences

On conclusion of the audit, Grant Thornton identified no unadjusted audit differences which required amendment to the accounts.

3.1.3 Audit Risks

Grant Thornton's External Audit Plan, as reported to this Committee in January 2019, identified two key areas of audit risk for the 2018/19 accounts, due to the materiality of the figures involved. These were the valuation of property, plant and equipment and the valuation of net pension liabilities. Grant Thornton have now audited these areas and their conclusions are included in the attached report.

3.1.4 Audit recommendations

Grant Thornton have made two medium priority recommendations, relating to the valuation date for land and buildings, and to the Council's arrangements for planning its strategy for future levels of usable reserves.

3.1.5 Use of Resources

Grant Thornton are required to report to those charged with governance, any governance issues identified when discharging their statutory audit responsibilities. They have therefore included in their report an update on the Council's arrangements to secure value for money in its use of resources.

Grant Thornton have concluded that the Council has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

3.1.6 Review of the Annual Governance Statement

Grant Thornton have confirmed that, in their opinion, the Annual Governance Statement is not misleading or inconsistent with other information they are aware of from their audit of the financial statements, and that it complies with the CIPFA/SOLACE guidance 'Delivering Good Governance in Local Government : A Framework'.

3.2 Post Balance Sheet Events and other significant amendments

- 3.2.1 Under proper accounting practice the Council is required to consider any post balance sheet events which, if known at the time of the accounts being produced, would have significantly altered the Council's financial statements. If such events have occurred then the Council is required to amend the accounts if the cumulative value of the events would have a material impact on the Council's financial statements. Such events must be considered up until this Committee approves the final accounts and the auditors provide their audit certificate.
- 3.2.2 As at the 18th July the council has identified two post balance sheet events which are sufficiently material to require an adjustment to be made to the final accounts. These relate to pensions liabilities and to business rates.
- 3.2.3 In respect of pensions liabilities, the government has been contesting a legal ruling relating to the judges' and firefighters' pension schemes which stated that when these schemes were reformed in 2014, the protection given to existing scheme members who were within 10 years of retirement was discriminatory on age grounds. On 27th June, the government was refused permission to appeal against this judgement. Since similar protections were given to scheme members within 10 years of retirement when the local government pension scheme was reformed, this ruling creates an obligation for changes to be made to the Local Government Pension Scheme (LGPS) in order to remedy the age discrimination, and the government has since confirmed its intention to amend all public sector pension schemes, including the LGPS. Although the exact changes will take some time to be agreed, local authorities have been advised to ask their actuaries to estimate an approximate cost of the change and incorporate this into their 2018/19 accounts. For Leeds, the pension liabilities have increased by £38.0m in respect of this issue and a further £9.4m in relation to equalisation arrangements between males and females of Guaranteed Minimum Pensions accrued by individuals who were contracted out of the State Second Pension before April 1997, giving a total increase of £47.4m in comparison to the figure given in the draft accounts. This change impacts on the Pensions Reserve and not on spendable reserves. However it should be noted that these issues will have an impact on the council's future contribution rates to the West Yorkshire Pension Fund.
- 3.2.4 In respect of business rates, the data received from the Valuation Office since the draft accounts were published has included some significant downward valuations relating to the 2010 valuation list, and an increase in the number of appeals, checks and challenges relating to the 2017 list. As a result the provision for business rates appeals at 31st March 2019 has been increased by £3.3m. For 2018/19 this change will impact on the Collection Fund Adjustment Account rather than on spendable reserves, but there will be an impact on the business rates precepts available to the general fund in 2020/21.

- 3.2.5 Officers have reviewed the revaluations of land and buildings during June and July, and identified a small number of updates and corrections which have led to a net increase of £6.5m in the value of assets.
- 3.2.6 Following the above changes, the final accounts show a decrease in the Council's net worth for the year of £289m, in comparison to the decrease of £244m shown in the draft accounts.
- 3.2.7 As outlined in paragraph 3.2.1 above, any post balance sheet events must be considered up until the accounts are approved. A verbal update will be provided at Committee to confirm the final position.

3.3 Public Inspection Queries, Questions to the Auditors and Objections

- 3.3.1 Under the statutory timescales for public inspection of the accounts, no formal objections have been received for the 2018/19 accounts. One request was received for additional information, and this has been responded to.

3.4 Management Representation letter

- 3.4.1 The auditors are required by the Audit Commission's Code of Audit Practice to undertake the audit work on the accounts in compliance with International Standards on Auditing (ISAs). ISAs contain a mixture of mandatory procedures and explanatory guidance. Within the mandatory procedures are requirements to obtain written representations from management on certain matters material to the audit opinion. The management representation letter is designed to give Grant Thornton such assurances. In respect of the 2018/19 accounts the letter is attached as **Appendix A** to this report. After consultation with appropriate officers, the Chief Finance Officer has signed to confirm that officers are not aware of any compliance issues on the representation matters raised in the letter.
- 3.4.2 The Committee is asked to consider whether members are aware of any issues they want to bring to the auditors attention in respect of the matters addressed in the management representation letter. If there are no such issues the Committee is asked to agree that the Chair can sign the letter on behalf of the Committee.

3.5 Audit Fee issues

- 3.5.1 Grant Thornton's report advises that they will be proposing an additional audit fee of £5k for their audit work.
- 3.5.2 Since the previous meeting of the committee, the council has been advised by KPMG that they have agreed with Public Sector Audit Appointments Ltd that a fee of £14,357 will be charged for their work in resolving the objection to the council's 2016/17 accounts.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The audit report does not raise any issues requiring consultation or engagement with the public, ward members or Councillors.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 There are no issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and the Best Council Plan

4.3.1 Under this Committee's terms of reference members are required to consider the Council's arrangements relating to external audit, including the receipt of external audit reports. This is to provide a basis for gaining the necessary assurance regarding governance prior to the approval of the Council's accounts.

Climate Emergency

4.3.2 There are no climate implications arising from this report.

4.4 Resources, procurement and value for money

4.4.1 Grant Thornton's report includes their opinion as to whether the Council has proper arrangements for securing value for money.

4.5 Legal implications, access to information, and call-in

4.5.1 The Accounts and Audit Regulations 2015 require the audited Statement of Accounts to be published before the 31st July. Under this Committee's terms of reference, members are required to approve the Council's final audited Statement of Accounts and consider any material amendments recommended by the auditors.

4.5.2 As this is a factual report based on past financial information none of the information enclosed is deemed to be sensitive or requesting decisions going forward, and therefore raises no issues for access to information or call in.

4.6 Risk management

4.6.1 Grant Thornton have not identified any significant risks in their recommendations.

5. Conclusions

5.1 The external audit report provides the following assurances to members :

- A proposed unqualified opinion on the 2018/19 Statement of Accounts, subject to the completion of outstanding audit work.
- A value for money conclusion that the council has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.
- Confirmation that in the auditor's opinion the Council's Annual Governance Statement is not misleading or inconsistent with other information they are aware of from their audit of the financial statements, and that it complies with CIPFA/SOLACE guidance.

5.2 There are no high priority recommendations raised by Grant Thornton

6. Recommendations

- 6.1 Members are asked to receive the report of the Council's external auditors on the 2018/19 accounts and to note that there are no unadjusted audit differences to the accounts.
- 6.2 Members are asked to approve the final audited 2018/19 Statement of Accounts and the Chair is asked to acknowledge the approval on behalf of the Committee by signing the appropriate section within the Statement of Responsibilities on page 1 of the accounts.
- 6.3 On the basis of assurances received, the Chair is asked to sign the management representation letter on behalf of the Corporate Governance and Audit Committee.
- 6.4 Members are asked to note Grant Thornton's VFM conclusion that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

7. Background documents¹

- 7.1 None.

¹ The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.